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PBSUCCESS, Headquarters

LINCOLN

Guatemalan efforts to link U.S. action regarding arms shipment to UFCO claims; recommendations for diplomatic and related actions.

1. In several statements during the last few days made by Guatemalan Foreign Minister Toriallo, by other Guatemalan government officials and by the pro-Government Guatemalan press as well as in leftist comment on the arms incident (in broadcasts and articles in other countries), a persistent effort is being made to link the energetic protest of the U.S. State Department against the arms shipment to the claim of UFCO for compensation of its expropriated lands, upheld officially by the State Department of few weeks ago.
2. From the viewpoint of PBSUCCESS, that State Department intervention on behalf of UFCO was unfortunately timed since (whatever the merits of the case may be) it lent some credence to the Guatemalan communist-government claim that U.S. policy is being conducted in the interest of the "big capitalists." Their latest effort, as noted above, to imply that the U.S. would never take such strong actions because of a paltry arms shipment if it were not to exert pressure in the interest of UFCO's claim for \$15 million (or so), is a rather shrewd diversionary maneuver - far superior to the obvious confusion in which the Guatemalan government's first statements concerning the arms shipment were made -, well designed to improve Guatemala's case on the arms question in the eyes not only of Guatemalan public opinion, but of a major section of world public opinion as well.
3. We therefore, suggest that steps be considered to spike this Guatemalan propaganda line as quickly and as effectively as possible. Such steps should notably include (but do not have to be limited to) the following:
 - a. A statement by STATE, possibly directly addressed to the Guatemalan Ambassador in Washington, strongly protesting in terms of moral indignation the attempt to confuse the U.S. Government's concern about hemispheric security and peace with its routine legal aid to the interests of U.S. citizens abroad, terming this attempt an insult likely to exacerbate relations between the two countries.

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- b. An offer, to be made either by UFCO or by STATE, to have UFCO's claim settled either in the World Court or by some other form of international arbitration, in order to remove this claim from the sphere of US-Guatemalan diplomatic relations (if the Guatemalan Government rejects this, as it may be likely to do, the blame will fall on them).
- c. Publication of a White Paper, enumerating all cases in which Guatemalan diplomats were involved in communist propaganda, assistance to strikes in other countries and other incidents of "undiplomatic activity", listing all complaints by other Central American governments against such activities, etc., as a strong means of discrediting the Guatemalan Government in general and its Foreign Minister and diplomatic missions in particular. (We submit that RQM/OIS could assist STATE in preparing such a document, thereby obtaining more rapid action.)

4. Fast and impressive action in this direction - whether or not it follows exactly the specific lines suggest in the preceding paragraph - appears urgently necessary not only in the general interest of U.S. foreign policy with regard to Guatemala, but also in the specific interest of PESUCCESS and of our efforts to frustrate the "anti-imperialist" line of communist political warfare and to protect the U.S. Government against being reproached for attacking Guatemala in the interest of UFCO or of "Wall Street" in general.

5. We therefore request that you take up the above matter with STATE as quickly as practicable and press for immediate action -- which, in this case, appears to be even more in their interest than in ours. Please keep us informed as to action taken and progress achieved.

WILLIAM D. FLAYDON

WDF/EFL/a
1 June 1954
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